FISCAL YEAR 2017

STATE CLEAN DIESEL GRANT PROGRAM

WORK PLAN AND BUDGET NARRATIVE TEMPLATE

INSTRUCTIONS: States and territories applying for FY 2017 DERA State Clean Diesel Grant Program funding must use this template to prepare their Work Plan and Budget Narrative.

Please refer to the FY 2017 STATE CLEAN DIESEL PROGRAM INFORMATION GUIDE for full Program details, eligibility criteria and funding restrictions, and application instructions.

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SUMMARY PAGE

Project Title: Florida Diesel Emission Reduction and NOx Mitigation Program

[redacted]

Project Budget Overview:

	FY 2017
EPA Base Allocation	$301,990
State or Territory Matching Funds (if applicable)	$301,991 (VW match - tentative)
EPA Match Incentive (if applicable)	$150,995
Mandatory Cost-Share	As required by the type of DERA project category
TOTAL Project	**$754,976**
Additional Leveraged Resources	To be determined (use of additional VW funds for DERA overmatch is tentative)

Project Period

October 1, 2017 – September 30, 2018 or longer pending demand for these projects.

Summary Statement

On October 25, 2016, Volkswagen (VW) entered into a Partial Consent Decree with the U.S. government settling claims that it violated the Clean Air Act by selling vehicles that violated the U.S. Environmental Protection Agency's (EPA) mobile source emission standards. The violation

involved installation and use of emission testing "defeat devices" in approximately 500,000 turbocharged direct injection 2.0-liter diesel engine vehicles sold and operated in the U.S. from model year 2009 through 2015. These defeat devices enabled vehicles to meet applicable nitrogen oxide (NO_X) emission limits during emissions tests while not meeting these limits during normal vehicle operation. Under the Partial Consent Decree, VW agreed to provide $2.7 billion to fully remediate the excess NO_X emissions from the subject vehicles (the "Mitigation Trust Fund"). The State of Florida intends to be a beneficiary under the Mitigation Trust Fund.

Appendix D-2 of the Partial Consent Decree specifies 10 project types eligible for funding under the Mitigation Trust Fund ("Eligible Mitigation Actions"). One is the "DERA Option," which allows beneficiaries to use VW trust funds to "match" funds available through the State Clean Diesel Grant Program under the Diesel Emission Reduction Act (DERA). Beneficiaries may elect to "overmatch" the funds, which would allow participating states to dedicate funding to DERA-related projects in amounts larger than historical levels.

Projects eligible under DERA differ from the other Eligible Mitigation Actions in Appendix D-2 of the Partial Consent Decree. The DERA Option states that beneficiaries may "use such Trust Funds for actions not specifically enumerated in this Appendix D-2, but otherwise eligible under DERA pursuant to all DERA guidance documents." VW beneficiary states may elect to spend VW trust funds on the following types of projects through utilization of the DERA Option:

- Retrofitting of model years 1995-2009 Class 5 through 8 Local Trucks, Highway Trucks, and Port Drayage Trucks with a Gross Vehicle Weight Rating greater than 16,001 pounds.
- Replacement or repowering of Class 5 through 8 Highway Trucks with a Gross Vehicle Weight Rating greater than 16,001 pounds.
- Retrofitting of model years 1995-2009 Type A through D School Buses and model years 1995-2009 Class 5 through 8 Shuttle or Transit Buses with a Gross Vehicle Weight Rating greater than 16,001 pounds.
- Replacing, repowering, or retrofitting Tier 0-Tier 3 non-road diesel construction, cargo handling (ports and airports), agriculture, mining, or energy production equipment: 0-50 horsepower units, model years 2005 and newer; 51-300 horsepower units, model years 1995 and newer; 301 or more horsepower units, model years 1985 and newer.
- Repowering or retrofitting of unregulated through Tier 2 marine diesel engines, other that ferries or tugs, used for greater than 1,000 hours per year.
- Replacing, repowering, retrofitting, or remanufacturing of unregulated through Tier 2 Line Haul Locomotives that operate for greater than 1,000 hours per year and retrofitting or remanufacturing of Tier 2 and higher Line Haul Locomotives that operate for greater than 1,000 hours per year.
- Retrofitting Line Haul and Freight Switcher Locomotives with idle reduction technology.

The Florida Department of Environmental Protection (Department) is currently collecting information from the public to gauge governmental and non-governmental entities' interest in diesel emission reduction and NO_X mitigation projects that may be eligible for funding under the VW Environmental Mitigation Trust and DERA. As of the date of this submittal, the Department

has not yet completed this outreach. Compilation of a list of interested parties and potential project types will be forthcoming.

The Department has developed a website addressing implementation of the VW Mitigation Trust in the State of Florida: http://www.dep.state.fl.us/air/about_air/volkswagen-Settlement.htm. The Department will use this website to distribute information on DERA-related activities under the VW Mitigation Trust. The Department also maintains a website that provides the public with information on DERA programs more broadly and details past DERA-related projects in the state: http://www.dep.state.fl.us/air/about_air/Diesel-Emissions-Reduction-Act.htm.

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SCOPE OF WORK

STATE/TERRITORY GOALS AND PRIORITIES

Florida has excellent air quality. All of Florida is in attainment for the following criteria pollutants: carbon monoxide, nitrogen dioxide (NO_2), ozone, and particulate matter. The vast majority of Florida is in attainment for sulfur dioxide (SO_2) and lead, with the exception of three small geographic areas centered around certain large sources in Hillsborough and Nassau counties.

Although most air pollutants in Florida occur in concentrations well below the National Ambient Air Quality Standards (NAAQS), some air pollutants can occur in concentrations in local or regional areas that could potentially affect the health of Florida's citizens. The pollutants of most concern are ground-level ozone and particulate matter, including the precursor pollutants that form them, such as NO_2, SO_2, and volatile organic compounds (VOCs). The use of diesel-powered vehicles is a contributor to the total amount of emissions that lead to ground-level ozone formation and increased concentrations of particulate matter.

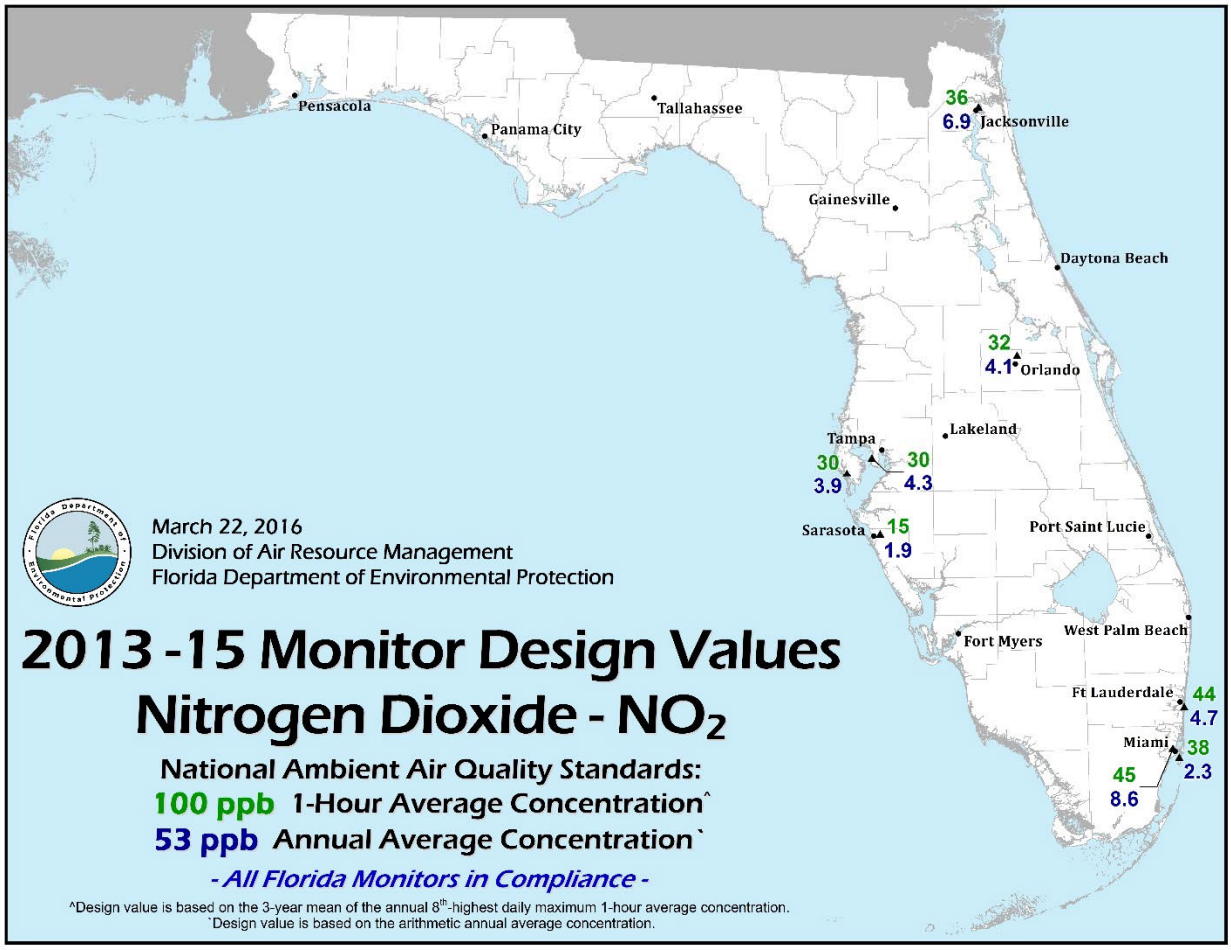
Per the 2014 National Emissions Inventory (NEI), Florida's total emissions of NO_X from mobile sources is 410,207 tons. Approximately 56 percent of this total is from diesel-powered mobile sources including:

- 100,076 tons from on-road diesel heavy duty vehicles;
- 63,691 tons from non-road diesel equipment;
- 49,780 tons from commercial marine vessels;
- 9,415 tons from diesel-powered locomotives; and
- 6,119 tons from on-road diesel light duty vehicles.

Florida's ambient monitoring network for NO_2 shows that there are no monitors within 50 percent of the 1-hour NO_2 NAAQS or within 80 percent of the annual NO_2 NAAQS.

Figure 1 shows the design values for NO_2 around Florida.

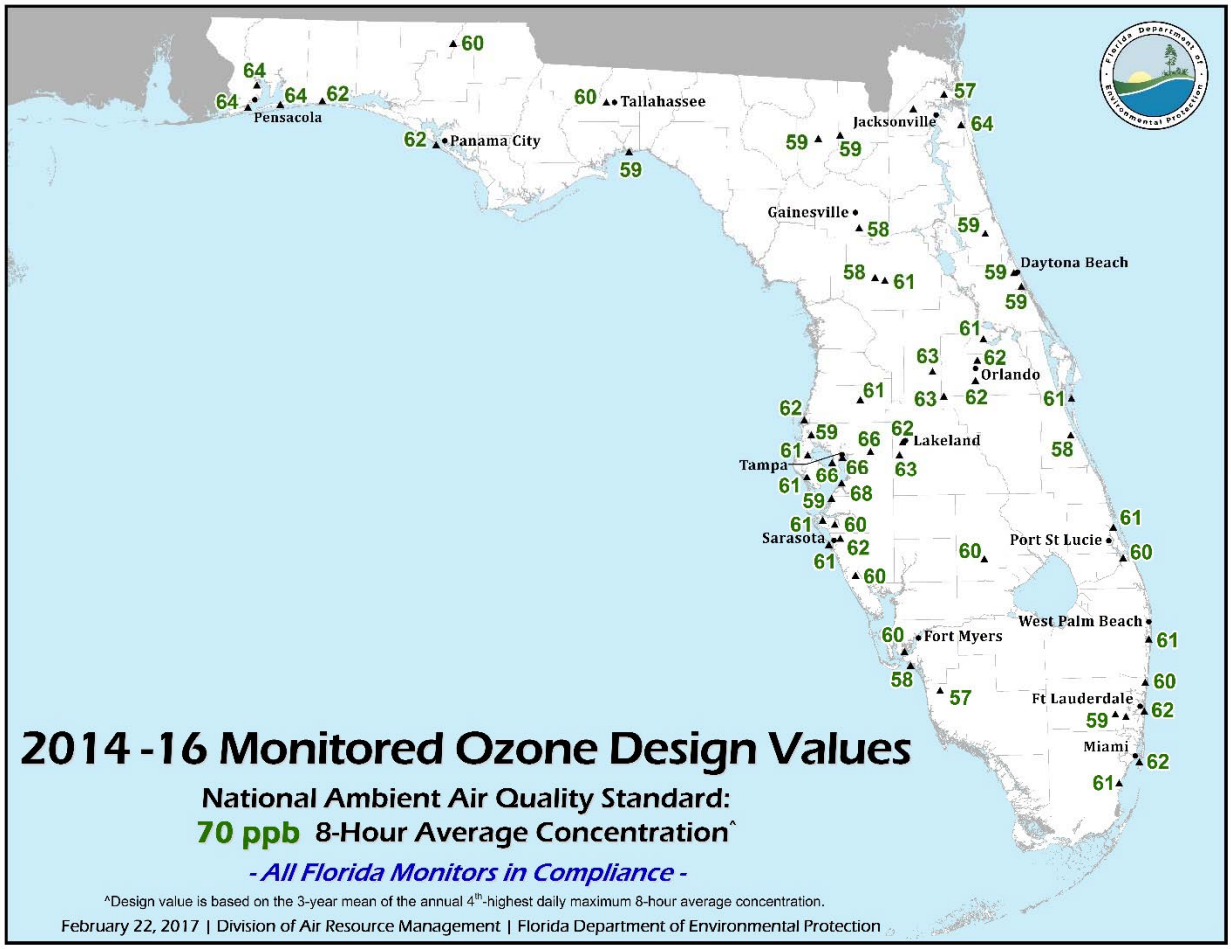
Figure 1



Although Florida's ambient monitoring network demonstrates that there are no air quality issues relating to NO_2, NO_X remains one of the primary precursor pollutants for the formation of ground-level ozone. Florida's ambient monitoring network for ozone shows that there are no monitors exceeding the 2015 8-hour ozone NAAQS. In addition, only four of Florida's 67 counties have a monitor with design values within 10 percent of the 2015 Ozone NAAQS of 70 part per billion (ppb) (i.e., greater than or equal to 63 ppb): Duval County (64 ppb); Escambia County (64 ppb); Hillsborough County (66 ppb); and Santa Rosa County (64 ppb).

Figure 2 shows the current design values for ozone around Florida.

Figure 2



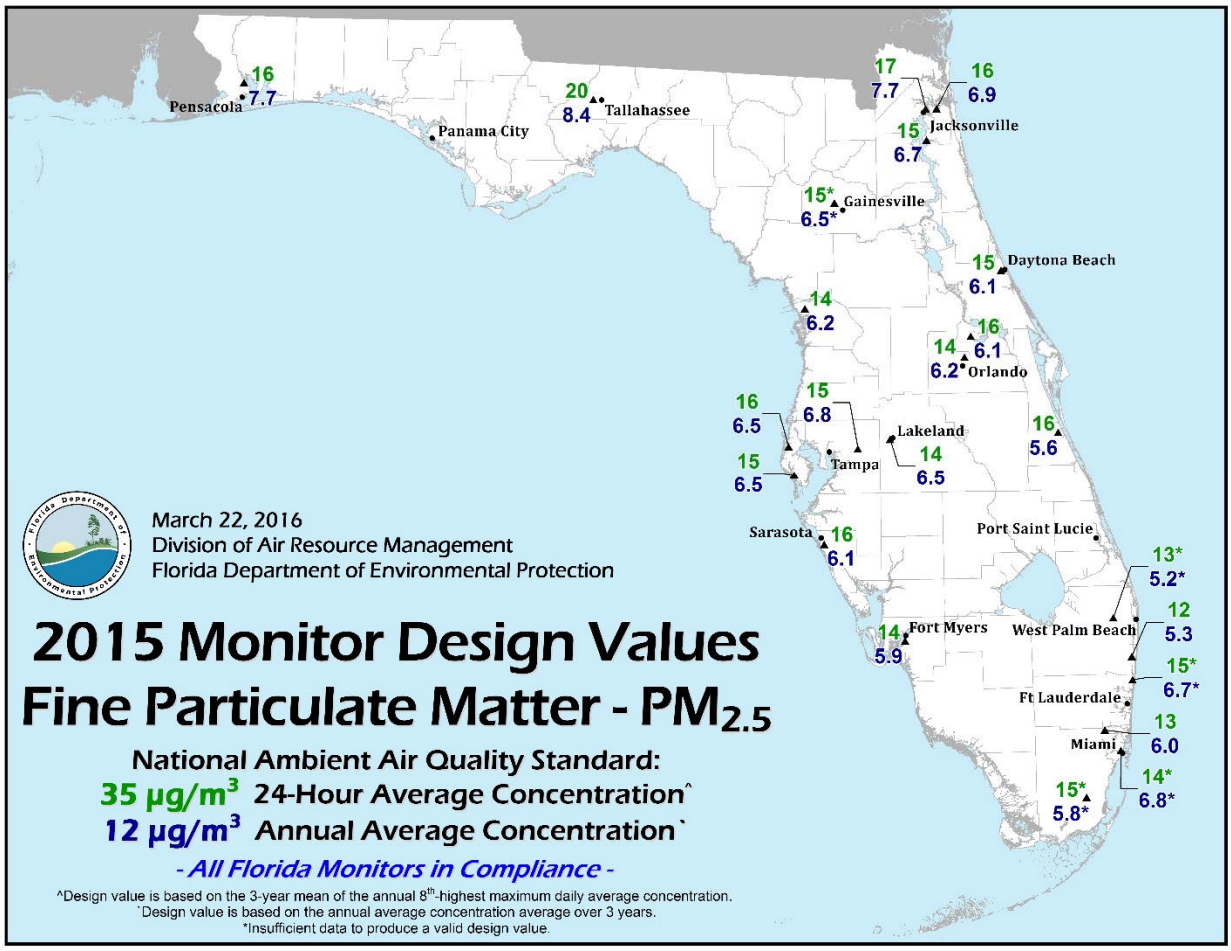
The 2014 NEI indicates that Florida's total emissions of fine particulate matter ($PM_{2.5}$) from mobile sources is 19,810 tons. Approximately 63 percent of this total is from diesel-powered mobile sources including:

- 5,682 tons from on-road diesel heavy duty vehicles;
- 4,840 tons from non-road diesel equipment;
- 1,389 tons from commercial marine vessels;
- 273 tons from diesel-powered locomotives; and
- 305 tons from on-road diesel light duty vehicles.

Florida's ambient monitoring network for $PM_{2.5}$ shows that there are no monitors exceeding either the annual or 24-hour $PM_{2.5}$ NAAQS.

Figure 3 shows the current design values for the annual and 24-hour $PM_{2.5}$ NAAQS around Florida.

Figure 3



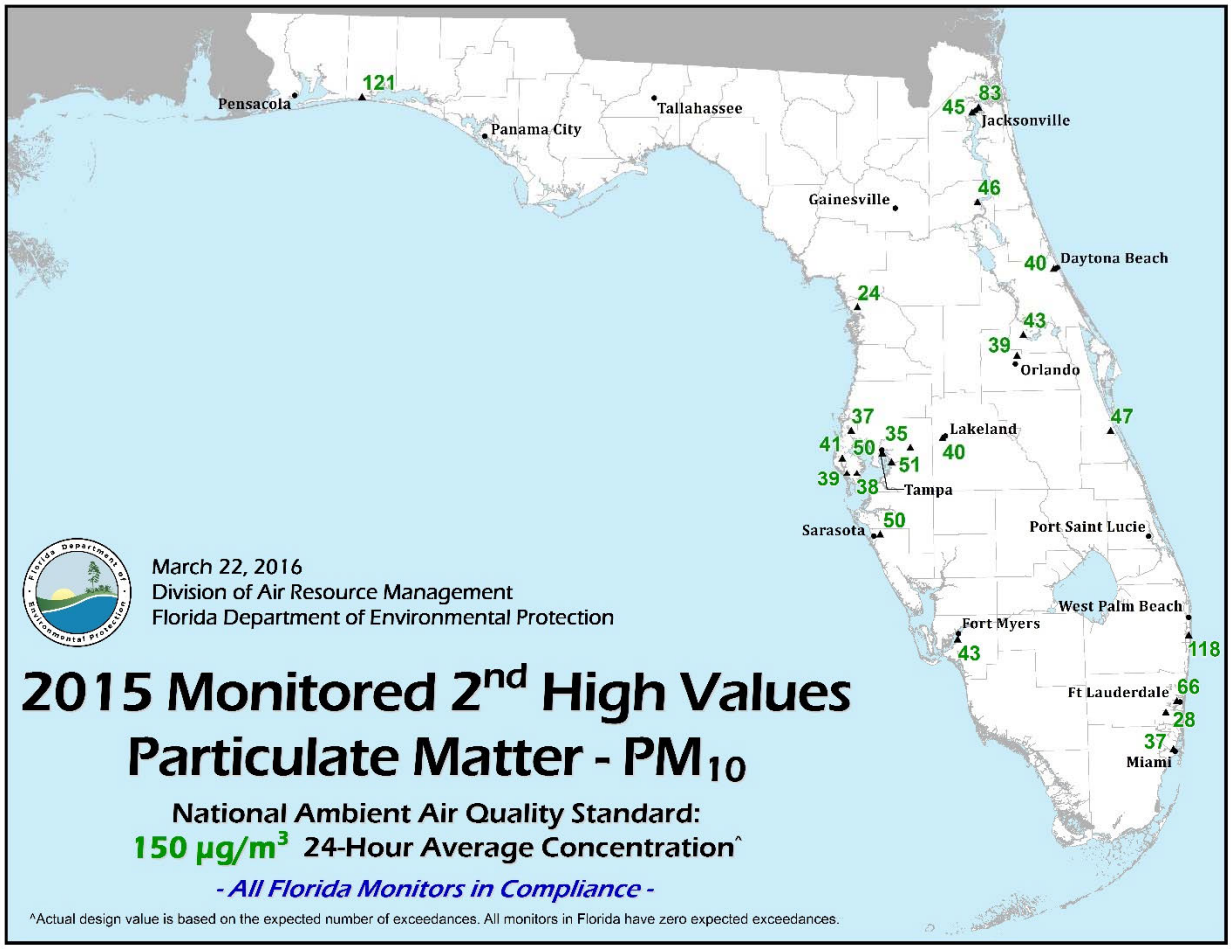
The 2014 NEI indicates that Florida's total emissions of coarse particulate matter (PM_{10}) from mobile sources is 33,659 tons. Approximately 47 percent of this total is from diesel-powered mobile sources including:

- 8,564 tons from on-road diesel heavy duty vehicles;
- 4,990 tons from non-road diesel equipment;
- 1,476 tons from commercial marine vessels;
- 295 tons from diesel-powered locomotives; and
- 497 tons from on-road diesel light duty vehicles.

Florida's ambient monitoring network for PM_{10} shows that there are no monitors exceeding either the 24-hour PM_{10} NAAQS.

Figure 4 shows the current design values for the 24-hour PM_{10} NAAQS around Florida.

Figure 4



Despite the overall good trend in the state's air quality, there remains work to be done to address local impacts of emissions from older diesel engines, which are projected to remain a component of commercial and government operated vehicle fleets for many years. Encouraging voluntary measures to address these air quality impacts is important to Florida's broader goal of improving air quality for the state's citizens and visitors.

VEHICLES AND TECHNOLOGIES

As of the date of this submittal, the Department has not identified specific vehicles that will be targeted with funds through DERA or the VW Environmental Mitigation Trust. The Department is in the process of conducting public outreach to determine the level of interest among governmental and non-governmental entities and potential project partners. The Department will utilize DERA funding only on project types that are not enumerated under the other Eligible Mitigation Actions specified in Appendix D-2 of the Partial Consent Decree. As noted in the Summary Statement, the Department has identified several potential vehicle and equipment types that fit this description:

- Retrofitting of model years 1995-2009 Class 5 through 8 Local Trucks, Highway Trucks, and Port Drayage Trucks with a Gross Vehicle Weight Rating greater than 16,001 pounds.
- Replacement or repowering of Class 5 through 8 Highway Trucks with a Gross Vehicle Weight Rating greater than 16,001 pounds.
- Retrofitting of model years 1995-2009 Class A through D School Buses and model years 1995-2009 Class 5 through 8 Shuttle or Transit Buses with a Gross Vehicle Weight Rating greater than 16,001 pounds.
- Replacing, repowering, or retrofitting Tier 0-Tier 3 non-road diesel construction, cargo handling (ports and airports), agriculture, mining, or energy production equipment: 0-50 horsepower units, model years 2005 and newer; 51-300 horsepower units, model years 1995 and newer; 301 or more horsepower units, model years 1985 and newer.
- Repowering or retrofitting of unregulated through Tier 2 marine diesel engines, other that ferries or tugs, used for greater than 1,000 hours per year.
- Replacing, repowering, retrofitting, or remanufacturing of unregulated through Tier 2 Line Haul Locomotives that operate for greater than 1,000 hours per year and retrofitting or remanufacturing of Tier 2 and higher Line Haul Locomotives that operate for greater than 1,000 hours per year.
- Retrofitting Line Haul and Freight Switcher Locomotives with idle reduction technology.

Regarding the types of technologies that the Department intends to utilize in potential DERA-funded diesel emission reduction and NO_X mitigation projects, the following technologies have been identified (to the extent these are not covered by the Eligible Mitigation Actions one through nine of Appendix D-2 of the Partial Consent Decree):

- **Exhaust Controls.** Exhaust controls include pollution control devices installed in the exhaust system (such as oxidation catalysts and particulate matter filters), or systems that include crankcase emission control (like a closed crankcase filtration system). The state may fund up to 100 percent of the cost (labor and equipment) for an eligible verified emission control.
- **Engine Upgrades and Remanufacture Systems.** Engine upgrades involve the removal of engine parts during a rebuild and replacement with parts that represent an engine configuration which is cleaner than the original engine. Some non-road and marine engines can be upgraded to reduce their emissions by applying manufacturer upgrades currently verified by EPA or the California Air Resources Board (CARB). Some locomotives and marine engines can be upgraded through the application of certified remanufacture systems. The state may fund up to 40 percent of the cost (labor and equipment) of an eligible non-road, locomotive, or marine engine upgrade.
- **Cleaner Fuel Use.** Cleaner fuels include, but are not limited to, biodiesel and other certified alternative fuels. The state may not fund stand-alone cleaner fuel use. For new or expanded use of a cleaner fuel, funding may cover the cost differential between the cleaner fuel and conventional diesel fuel if that cleaner fuel is used in combination, and on the same vehicle, with a new eligible verified exhaust control,

eligible engine upgrade, eligible certified engine replacement, or eligible certified vehicle/equipment replacement funded under the DERA program.

- **Verified Idle Reduction Technologies.** An idle reduction project is generally defined as the installation of a technology or device that reduces unnecessary idling of diesel vehicles or equipment and/or is designed to provide services (such as heat, air conditioning, and/or electricity) to vehicles and equipment that would otherwise require the operation of the main drive or auxiliary engine(s) while the vehicle is parked. The reduction in idling will conserve diesel fuel and lower emissions. Eligible idle-reduction technologies include: verified idle reduction technologies on locomotives; electrified parking spaces; and highway idle reduction technologies.
- **Certified Engine Replacement.** Engine replacement includes, but is not limited to, diesel engine replacement with an engine certified for use with diesel or a clean alternative fuel, diesel engine replacement with an electric power source (grid, battery, or fuel cell), and/or diesel engine replacement with an electric generator.
- **Vehicle and Equipment Replacements.** Non-road and highway diesel vehicles and equipment can be replaced under the DERA program with newer, cleaner vehicles and equipment that operate on diesel or alternative fuels and use engines certified by EPA and, if applicable, CARB to meet a more stringent set of engine emission standards. Replacement includes, but is not limited to, diesel vehicle/equipment replacement with newer, cleaner diesel, electric (grid, battery, or fuel cell), hybrid, or alternative fuel vehicles/equipment.

ROLES AND RESPONSIBILITIES

The Department will work with stakeholders identified during the state's public outreach process, including potential project partners and public entities such as counties, municipalities, school districts, and other governmental and non-governmental agencies. Stakeholders expressing interest in eligible mitigation actions will determine whether a subgrantee arrangement is beneficial. The Department will seek to provide a balance between the cost of mitigation actions and the outcome for air quality improvements for vehicle replacements, repowering, or retrofits. The Department will elect to use additional VW Environmental Mitigation Trust funds to leverage resources beyond the stated voluntary matching funds, which will be sourced from the VW Environmental Mitigation Trust Fund. The lead agency designated by the Florida Governor under the VW Environmental Mitigation Trust will be responsible for providing the incentive match. All cost sharing requirements with project partners will be evaluated to meet minimum DERA guidelines and may be further reduced depending on the extent of interest from potential project partners. The Department's Office of Business Planning within the Division of Air Resource Management will be responsible for managing the state's DERA program including the contract management and purchasing. Grant drawdowns will be requested by the Department's Bureau of Finance and Accounting with the Division of Administrative Services.

TIMELINE AND MILESTONES

Timelines are dependent on the Trust Effective Date and schedules established pursuant to the VW Partial Consent Decree. The Department will seek to begin funding as soon as possible after

October 2017 and will make every effort to complete all work and expend funds within the federal fiscal year. The Department expects the 2017 DERA program to follow this general timeline:

- May 2017 – Department published Requests For Information (RFI) to identify possible project partners for the 2017 DERA Grant.
- October 2017 – Once the award to the Department is finalized, the Department will publish a Request For Proposal (RFP) to implement the project identified by the RFI.
- November 2017 – Deadline for vendor proposals requested by the RFP.
- January 2018 – Vendor is selected for the project.
- May 2018 – Department will conduct program evaluation to ensure progress regarding the selected project.
- September 2018 – All projects have been completed.

DERA PROGRAMMATIC PRIORITIES

Projects funded under the 2017 DERA State Grant in Florida will align with EPA's programmatic priorities of achieving significant reductions in diesel emissions exposure from engines operating in areas with greater local air quality concerns relating to diesel vehicle emissions. These areas may include industrial complexes around ports and railyards, cargo handling operations, construction sites, and/or dense urban settings where diesel vehicles are more likely to be idling or used extensively. As of the date of this submittal, the Department is still evaluating whether it will designate any "priority areas" in Florida for the 2017 DERA State Grant program year, even if those areas are already meeting the NAAQS for particulate matter, NO_2, and ozone.

EPA'S STRATEGIC PLAN LINKAGE AND ANTICIPATED OUTCOMES/OUTPUTS

Florida's 2017 DERA State Grant program will fund mitigation actions consistent with EPA's Strategic Plan for DERA programs to reduce local and regional air pollution from criteria pollutants and air toxics. The Department will utilize EPA's Diesel Emissions Quantifier (DEQ – available at www.epa.gov/cleandiesel/diesel-emissions-quantifier-deq), among other tools, to quantify the exact outputs of engine emission reductions for each project and the associated outcomes of improved health estimated by the reduction of diesel emissions. The Department will utilize DEQ-modeled outputs, including the number of engines replaced, repowered, or retrofitted, annual hours of idling reduced, and improvements in fuel efficiency, and document related outreach and communication efforts to link activities under Florida's 2017 DERA State Grant program to EPA's Strategic Plan. The Department estimates that implementation of the project or projects funded through DERA will reduce NO_X emissions by between 20 to 30 tons per year and reduce particulate matter emissions by between 2 to 3 tons per year.

SUSTAINABILITY OF THE PROGRAM

The Department has published a website relating to the VW Environmental Mitigation Trust Fund: http://www.dep.state.fl.us/air/about_air/volkswagen-Settlement.htm. The Department also maintains a website that contains records related to past DERA-related projects: http://www.dep.state.fl.us/air/about_air/Diesel-Emissions-Reduction-Act.htm. Throughout the administration of Florida's 2017 DERA State Grant program, the Department will maintain a publicly accessible website and repository of data and information obtained through various outreach and procurement related activities. The Department anticipates utilizing the DERA

Option under the VW Partial Consent Decree over the duration of programmatic activities related to implementation of the VW Environmental Mitigation Trust. The Department expects that DERA-related projects may occur over multiple years, and the benefits of such projects will be compounded by association with larger-scale diesel emission reduction and NO_X mitigation activities under the VW Environmental Mitigation Trust. The Department is committed to identifying, developing, and administering projects that maximize the environmental benefits that accrue through targeted diesel emission reduction efforts, consistent with the requirements of the VW Partial Consent Decree and DERA program. All projects funded through these programs will be documented and archived on a publicly available website, and they may be featured in targeted public communication efforts through web-based and conventional media outlets at both a local and state level.

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BUDGET NARRATIVE

Itemized Project Budget

FY 2017			
Budget Category	**EPA Allocation**	**Voluntary Match (if applicable)**	**Mandatory Cost-Share (if applicable)**
1. Personnel	$0	$0	$0
2. Fringe Benefits	$0	$0	$0
3. Travel	$0	$0	$0
4. Supplies	$0	$0	$0
5. Equipment	$0	$0	$0
6. Contractual	$452,985	$301,991	TBD
7. Program Income	$0	$0	$0
8. Other	$0	$0	$0
9. Total Direct Charges	$452,985	$301,991	TBD
10. Indirect Charges	$0	$0	$0
Grand Total	$452,985	$301,991	TBD

Explanation of Budget Framework

- ***Personnel***

The Department does not intend to spend any DERA funds to support personnel expenses incurred during the administration of Florida's 2017 DERA State Grant program.

- ***Fringe Benefits***

The Department does not intend to spend any DERA funds to cover fringe benefit costs incurred during the administration of Florida's 2017 DERA State Grant program.

- ***Travel***

The Department does not intend to spend any DERA funds on travel costs incurred during the administration of Florida's 2017 DERA State Grant program.

- ***Equipment***

The Department does not intend to spend any DERA funds on equipment during the administration of Florida's 2017 DERA State Grant program.

- ***Supplies***

The Department does not intend to spend any DERA funds on supply costs incurred during the administration of Florida's 2017 DERA State Grant program.

- ***Contractual***

The Department intends to provide DERA funds (and associated VW Environmental Mitigation Trust funds) though contractual relationships with program partners that have eligible projects under the DERA program. Because Florida has not yet identified specified partners or projects, the Department will amend Florida's DERA Workplan when such information becomes available. Once partners and projects have been identified, the state will comply with the state's procurement guidelines which require competitive procurement.

- ***Other***

The Department does not intend to spend any DERA funds on miscellaneous expenses incurred during the administration of Florida's 2017 DERA State Grant program.

- ***Indirect Charges***

The Department does not intend to spend any DERA funds on indirect charges incurred during the administration of Florida's 2017 DERA State Grant program.

Matching Funds and Cost-Share Funds

Florida plans to utilize matching funds and potentially overmatching funds from the VW Environmental Mitigation Trust. The Department will require that project partners meet all applicable cost-share requirements as specified in Table 5 of the FY 2017 State Clean Diesel Grant Program Information Guide.